

KAZAKHSTAN:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 4.2

More than 3,500 NGOs are officially registered in Kazakhstan, but only 600 of these groups are currently active. A number of them are quasi-NGOs created by the government agencies (GONGOs). The active Kazakh NGO community is fairly diverse, both in the issues that it addresses and in its organizational capacity. Certain groups of NGOs are more well developed than others.

While the NGO sector is growing, its presence is not evenly distributed throughout the country. Sixty to seventy percent of Kazakh NGOs are located in the former capital city, Almaty. In other areas of the country, NGOs are virtually non-existent, or tend to be poorly trained. The recent opening of NGO Resource Centers by USAID grantee Counterpart International, and the Soros Foundation, will help to alleviate this problem. In addition, a national NGO newsletter covers events and information relevant to the community (the local NGO CASDIN's "Sustainable Development").

Finally, as Kazakh NGOs become more sophisticated, and as more people become aware of their activities, the sustainability of the NGO sector continues to improve. However, several problems stand in their way. The legal environment does not encourage either NGO commercial non-profit activity or corporate giving. Furthermore, most NGOs themselves do not seem to see large memberships and constituencies as the way to financial or organizational sustainability.

LEGAL ENVIRONMENT: 4.9

The legal environment for NGOs in Kazakhstan is at a moderate level of development. Laws exist that address NGO registration and taxation issues, though they are somewhat ambiguous and not wholly supportive of the sector. The Public Associations (PA) Law of 1996 provides for mandatory registration of NGOs through the Ministry of Justice, presenting a concern for basic notions of free association since the law may be open to the interpretation that an unorganized collection of people may constitute an illegal organization or an illegal meeting. There are harsh liquidation rules and conversely, a lack of re-registration requirements. Other drawbacks of the PA law include: geographic restrictions on NGOs which hinder regional/republican activities and a requirement of 10 founders needed for NGO registration. The international standard is three. Nevertheless, many non-registered NGOs continue to exist and operate without open actions taken against them.

Under the Tax Code, tax exemptions are limited and difficult for NGOs to use. NGOs can receive excise tax benefits without undue difficulty, though tax codes discourage NGOs from taking part in self-sustaining commercial activity. NGOs that engage in any type of commercial activity are considered commercial entities. Tax regulations are written without adequate definition, resulting in inconsistent application from region to region, and from inspector to inspector.

The law and constitution are ambiguous and even contradictory with regard to government procurements. While the PA law allows for contracting to public associations, both the PA law and the constitution note that the government should not finance public associations. In practice, an NGO is unlikely to receive any government procurements unless the NGO is a quasi-governmental NGO. Some local governments have provided office space for NGOs, but there is no formal mechanism or transparency in such situations.

The current legal framework sustains a long standing feeling that NGOs engaged in political activity and/or any activity that is critical of government will be liquidated or pressured to cease

such activity. In reality, this is rarely done, as NGOs themselves are aware of the unstated lines which they should not cross in challenging government. There have yet to be any specific examples of government entities harassing specific NGOs for their activities.

The ambiguity of many of the regulations of the PA law and the Tax Code give rise to a high potential for corruption on the behalf of governmental entities. The suspension and forced liquidation sections of the laws are particularly dangerous to NGOs, as there are no safeguards to guide in their usage. Although the current legislation contains references and benefits for "charitable" activities, no definition of "charity" or "charitable activity" can be found in Kazakh law. Legal consultation is generally unavailable to NGOs, particularly outside Almaty, making it difficult to get a clear sense of the rules and regulations.

In 1997, the Ministry of Justice requested USAID assistance in drafting a law on Charity. Despite the request, the President of Kazakhstan adopted a parliamentary agenda for 1998 that did not include any form of NGO legislation. A small group of parliamentarians has expressed interest in drafting a new law defining charity, and requested assistance from the UNDP and USAID grantee ICNL. A working group was formed comprised of senators, deputies, international consultants and NGO representatives, under the auspices of UNDP. This working group has drafted a Law on Charity and is lobbying the government to include the draft in the 1999 parliamentary agenda. ICNL has been invited by the Senate Legislative Committee to work on NGO legislation on foundations and institutions.

ORGANIZATIONAL CAPACITY: 4.0

Hundreds of NGOs in Kazakhstan have received training in organizational development. Many NGOs have had training in strategic planning, and have developed clear problem driven goals and a concept of mission. The structure of the present system of international donor grants, combined with the lack of other avenues to financial sustainability, has pushed a number of NGOs, particularly those based in Almaty, to change their missions to be closer to donor's interests.

The majority of Kazakh NGOs remain organizationally weak. NGOs often have an Advisory Committee formed by the leader of the NGO, from people who he/she knows, rather than a Board of Directors. Most NGOs are centrally run by a very small number of dominant personalities. There are very few permanent paid employees, and of this group, most of their salaries derive from grants. Consequently, staff varies in its commitment to the NGO depending upon whether they are receiving a grant. Some NGOs have been able to leverage volunteer help, but most do not have a structured mechanism for recruiting, engaging, and officially recognizing volunteers.

In-country training capacity has been cultivated by foreign assistance. A large cadre of “contract trainers” has been trained in different regions, and are versed in various skills training modules. Given the large size of Kazakhstan, the number of local trainers outside of regional centers still needs to be increased. NGOs that have training capacity must develop a system where the conducting of their training is self-sustainable and not dependent upon international donor organizations.

Almost all Almaty NGOs, and many in regional centers, are equipped with modern computers and other equipment. There are a growing number of NGO Support Centers, but they are still mostly limited to Almaty. Internet and email is readily available, but it is much harder and expensive to access outside the former capital.

There is no recognized mechanism for governmental agencies to contract out work to NGOs, and there is no tradition of NGOs providing social services through governmental contracts. The legal framework is contradictory, and certain readings of the law make it appear that government financing of NGO activity is illegal. A recent conference on “social partnership” brought together business, governmental, NGO, and media sectors to promote this idea, and was met with interest.

FINANCIAL VIABILITY: 4.4

Kazakh NGOs are heavily dependent upon foreign donors for funding. They have developed skills in writing proposals for international organizations, but are much less adept at seeking other sources of income. Some NGOs have been successful in leveraging the support of small local businesses, but business savvy in the NGO sector is limited, and there is little charitable ethic in Kazakhstan. There is no legal mechanism to make charity beneficial to local businesses, in terms of taxation.

Training in financial planning and management, accounting, fundraising, and grant proposal writing are readily available in all regional centers of the country, but are most accessible in Almaty. Most NGOs in Kazakhstan have improved their financial management systems due to the monitoring requirements of international organizations that provide grants. Most grant giving organizations require that NGOs have an accountant for any project which they propose. Often these accountants are hired for single projects and are not permanent staff members, creating a revolving door of financial skills.

ADVOCACY: 4.5

Gradually, Kazakh NGOs have become more comfortable with the concepts of advocacy and lobbying, but they are still rather suspicious of the idea due to the high level of doubt among people in Kazakhstan that citizens can participate in the political process through the government structure.

NGOs are increasingly attempting direct and close contact with policy makers -- with more success on the local level and with parliamentarians than with the ministries and the president's apparatus. Unfortunately, there are no concrete mechanisms in place to facilitate this relationship. Individual NGOs have developed their own mechanisms for participating in the political process, but this is most often accomplished through personal relationships rather than a transparent mechanism which would work for all NGOs.

On the local level, specific NGOs have been able to establish good relations with local government representatives. Some local administrations include a person who is charged as the liaison to "social organizations". While most of these "social organizations" are GONGOs, the liaisons can also serve as a government contact for more grass-roots NGOs. Unfortunately, the move of the country's capital to Astana has made it difficult for the majority of strong NGOs with capacity in advocacy (who are mostly in Almaty) to liaison with parliamentarians. The questionable nature of the power and independence of the parliament brings into doubt how effective advocacy through parliament is.

PUBLIC IMAGE: 4.0

There has been progress in media coverage of NGOs. The media is increasingly covering NGO

activity and often agrees to print things NGOs write, invite NGOs to speak on the radio, and air videos that NGOs have made. Hence, to announce an event, NGOs either advertise or try to incorporate the event into a news item that will be printed as public interest. There have been very few instances of NGOs being accused of being anti-government or corrupt in the media. This may be largely because the Kazakh people as a whole have not yet begun to view NGOs as important enough to criticize. The general populace does not truly understand the concept of an NGO, or how it differs from Soviet era social organizations. However, those who have had exposure to NGO activities seem to be mainly supportive.

Within the NGO sector itself, there is a large problem with NGO coordination and cooperation in Kazakhstan. While there have been attempts to create umbrella organizations, NGO leaders are more likely to gather for cooperation and joint efforts when called together by international organizations.

KYRGYZSTAN
Development of the Not-for-Profit Sector
1998

OVERALL RANKING: 3.8

It is difficult to get an accurate count of active NGOs in Kyrgyzstan. The Ministry of Justice has 951 registered general public organizations. USAID grantee Counterpart Consortium maintains a database that includes questionnaires from 1,027 NGOs, of which 735 have active operations, some of which are admittedly not registered. The 1991 law "On Public Organizations" regulates the NGO sector. This law groups NGOs, political parties, religious organizations, and trade unions together, a structure that hinders NGOs.

In general there is limited public awareness and understanding of the NGO's role in society, including: building a democratic environment, public advocacy, and providing social services to complement the public sector. There is continual growth in understanding the importance of NGOs, among Government officials. Increasingly, government officials refer to NGOs in their speeches, as possible partners in overcoming problems. The stage where officials perceive NGOs as possible competitors has passed. NGOs are trusted on the local oblast and village levels. There is evidence of successful collaboration between public, private and NGO sectors, but it is neither widespread nor supported by appropriate legislation. While many NGOs in Kyrgyzstan continue to prefer being small organizations of a handful of activists, rather than membership based organizations, there is a growing awareness of constituency. The legal status of NGOs and the fiscal policy concerning their activities remain crucial obstacles to be considered for sustainable development in the sector.

LEGAL ENVIRONMENT: 3.9

In practice, NGO registration procedures are simple and fees are affordable for the majority of people in Kyrgyzstan. Registration takes no more than 1-2 months including paper processing by NGO activists. According to the regulations, the Registration Division of the Ministry of Justice should notify NGOs about the decision of their registration within 2 weeks of application. The only restrictions on internal management, scope of activities, financial reporting, and dissolution of NGOs are that an NGO must operate in accordance to the provisions of Legislation of the Kyrgyz Republic and according to its own organizational bylaws. There is a legal basis for the government to dissolve an NGO for political reasons if it promotes forced change of the existing political system, or if it promotes racism and inter-ethnic hostilities, but this has not occurred to date.

There are local lawyers and representatives of judicial NGOs who are trained and familiar with NGO law. Many of them offer legal advice to NGOs. There are no tax exemptions for NGOs

except for some limited tax privileges, for organizations that represent the interests of disabled people. Individuals may donate money for charitable purposes and deduct those amounts from taxable income, limited to no more than 2% of taxable income. Business activity does not qualify for deductions. NGOs do not pay taxes on grants, except staff income taxes (up to 40%) and social contributions (39%). The law does not distinguish clearly between NGOs and for-profit organizations with regard to tax liabilities. There have been no examples of government seriously contemplating the option of contracting work to NGOs.

There is a growing awareness in the NGO community on how a favorable legal and regulatory framework can enhance NGO effectiveness and sustainability. Several meetings were held among working groups of NGOs to discuss the drafting of an NGO law. Three drafts emerged. The Center InterBilim (a local NGO resource center) and ICNL have coordinated the integration of all three drafts, with the participation of all stakeholders including NGO representatives and deputies. There is great hope that this effort will translate into significant changes in the legal environment for NGOs in Kyrgyzstan.

ORGANIZATIONAL CAPACITY: 3.9

The majority of active NGOs have a clearly defined, problem-driven mission statement that reflects problems existing in society. However, they are often designed very broadly in order to fit donors' criteria. In many respects, this type of catering to donors' missions remains a problem in encouraging NGOs to develop a clear mission that they feel strongly about.

Existing management systems among NGOs reflect a high level of inexperience. If there is a clearly defined management structure within NGOs, it is related only to the executive level. As for policy functions, there is usually some confusion between the role of a Board of Directors and the implementing staff. The main tendency is that newly formed Boards have more of an advisory function, rather than responsibility for making policy. The majority of NGOs do not have paid staff and work mainly on volunteer basis. Paid staff, when in existence, are not usually permanent and rely on project grants. Volunteer management is still a crucial issue that needs to be developed, since the small amount of voluntary work in the country is not well organized. Recruitment and constituency building are areas in need of significant development.

All Kyrgyz NGOs' technical resources and equipment have been purchased through grants from donor organizations. NGOs are not capable of purchasing and modernizing their basic office equipment by their own means. A few resource centers provide NGOs with access to basic office equipment including: computers and software, fax machines, Internet, etc.

FINANCIAL VIABILITY: 4.2

Kyrgyz NGOs are generally dependent upon grants or donations from abroad, and would have difficulty sustaining themselves financially, if international donor funds were to disappear. However, at least 30 active NGOs can be considered financially viable for the short-term, because of their ability to diversify funding sources. Interestingly, a main income generating activity for NGO outside of the capital is participation in microcredit programs within the framework of the UNDP Poverty Alleviation Program.

Financial management training is available to NGOs, but most do not have good transparent records of their finances and financial management systems are generally weak. This is a large stumbling block for NGOs hoping to attract private sector funding of contracts for services. Commercial activities and cost recovery fees are not a good option for NGOs at this point, due to the current legislation for NGOs on business ventures.

ADVOCACY: 3.5

Some NGOs have direct links with policy makers, including some with active members, or board members, among the representatives of the Jogorku Kenesh (Kyrgyz Parliament). A certain number of NGOs, including the private farmers' associations, directly influence policy making on both the national and local levels. Advocacy remains most effective at the local level, where one of the NGO leaders in Nookat rayon was elected as chairman of the village administration, and several NGOs working in the Osh oblast, on the rehabilitation of drinking water systems, play a crucial role in the decision making for this project.

NGOs often hide information, and consider other NGOs as potential competitors, but an NGO Forum has developed to solve problems of coordination and networking. Several NGO representatives from different oblasts have been elected to a Coordination Council that has a schedule of regular meetings to coordinate efforts on shared issues and develop common strategies.

PUBLIC IMAGE: 3.8

As a result of several projects funded by international donors to promote collaboration and develop skills among journalists and NGO personnel, NGOs are actively using media resources. There are no regulations pertaining to public service announcements, and therefore, there are no incentives for the media sources to provide NGOs donations of air time. In general, the Kyrgyz media is interested in the materials provided by NGOs, but it is difficult to say that the media commonly highlights NGO events. There is not any sound evidence, on other hand, that the NGO sector is strongly attacked as being part of a political opposition or as a source of corruption.

There is a varied perception of NGOs by the general public. A large part of the population still does not clearly understand the concept of NGOs. Some parts of the general public perceive NGOs as tools to earn money, and from that perspective, they are suspicious.

There has not yet been any attempt to adopt a code of ethics for NGOs, but the situation in the sector requires its development, both because of problems that have surfaced among several NGOs and because it is important in their quest to develop trust with the public, government, and the private sector.

LATVIA
Development of the Not-for Profit NGO Sector
1998

OVERALL RANKING: 4.2

The development of the not-for-profit sector in Latvia has been significantly retarded by the unfavorable legal environment. Taxation of grants inhibit philanthropy, restrictions on revenues inhibit revenue generating. Limitations on staff size inhibit the expansion of more developed NGOs or force them to register as companies. While there is enhanced capacity within the sector, there is considerable room for growth as well.

LEGAL ENVIRONMENT: 4.0

Progress: Two legal forms for not-for-profit organizations exist: public organizations and non-profit, limited liability companies. The registration process is rather complicated and should be simplified. Changes in the law favorable to NGO development are under discussion in the Parliament. Suggestions proposed by the NGO community have been incorporated into draft amendments to the law. The Ministry of Culture is working on a Sponsorship Law. A Cabinet regulation provides a mechanism for public organizations to be placed on a list and receive tax deductible donations: 85% of the donation may be deducted from the taxable income of companies, up to 10% of total income. The NGO Center has two lawyers providing legal advice to NGOs. Procurement from NGOs, by ministries and local governments is allowed, although there is no established system for it.

Constraints: The legal environment is complicated and not conducive to the development of NGOs. Any NGO with 5 employees or more is obligated to register as a company. There is no law for foundations or other asset-owning NGOs. Economic activities are restricted, and Parliament is not supportive of changing this, due to fear of abuse.

ORGANIZATIONAL CAPACITY: 4.0

Progress: A number of NGOs demonstrate an enhanced capacity to govern themselves and organize their work. These NGOs have the capacity to become "role models" for other NGOs. Service-providing NGOs have the capacity to provide effective services, if funding were available. The NGO Center has established several local NGO support centers to inform, train and advise other NGOs, and provide technical assistance. Twenty indigenous NGO trainers provide seminars and consultations throughout Latvia. NGOs recognize the value of training and actively participate in it. There is demand for more advanced training. Available training topics include: organization

basis and networking, fundraising, strategic planning, conflict resolution, team building, media and public relations. Training material is available in Latvian.

Constraints: Leading NGOs have not yet consolidated enough or matured sufficiently to be in a position to help other NGOs with their development. The organizational strength of NGOs differs markedly between Riga and rest of Latvia.

FINANCIAL VIABILITY: 5.0

Progress: Most NGOs have mastered proposal writing. Some have diversified funding sources, which include several foreign donor and local businesses. Talk about cultivating philanthropy is in its beginning stages. Many NGOs collect membership fees. Such fees are generally small, as the average income in Latvia is low. Some NGOs have started charging fees for their services. Ministries are beginning to give grants to NGOs in a transparent fashion (i.e., the Ministry's of Education "Student Initiative Fund").

Constraints: There is no overall policy for, or a commitment to, government subsidies for NGOs. Nor is there a widespread sense of philanthropy among the private sector or the public. The government taxes grants to NGOs unless the donor can make special arrangements, (i.e., USAID or Soros). There is a high level of economic discrepancy between Riga and towns/villages in the countryside. A significant number of NGOs rely entirely on volunteers.

ADVOCACY: 4.0

Progress: NGOs have developed expertise based on clients served or associated members. Human rights is the most ably represented policy issue. In some instances NGO research or expertise has helped change policies -- recent successes have been seen in the areas of tenant rights, rights for the disabled, and consumer protection. Issue-based coalitions have started to spring up among similarly minded advocacy groups, most effectively around the issues of tenant rights and adult education. In September 1997, the first NGO Forum was organized, bringing together almost 1,000 NGO activists, from over 300 NGOs, as well as representatives from municipalities, state institutions, the government, Parliament and the mass media.

Constraints: NGO activists are not shy to advocate for their interests with their elected representatives, but they are not very skillful in the art. NGO coalitions have not been very effective. They tend to work for only a short period of time, often falling apart before reaching a shared goal.

PUBLIC IMAGE: 4

Progress: Local media regularly cover the activities of NGOs. Public debate on civil society and the role of NGOs is taking place, at conferences and in the national media. Some NGOs have established good relations with individual municipalities, although they still strongly depend on

personalities. Some NGOs (like human rights, environmental and tenants groups) have continuous contacts with the mass media and have created a good public image for themselves.

Constraints: The national media occasionally covers NGOs, but provides little information on the activities of the third sector. Most journalists do not understand the role of civil society. The impact of NGO activities on the national level is rather weak. The community is still not aware of the meaning of the term "non-governmental organization", although individual NGOs try to explain the benefit they bring to the public. The public image of NGOs suffers from a basic identification problem -- journalists cannot agree on what to call NGOs and the term is not defined legally. Federal government officials tend to be suspicious and ignorant of NGOs, although on the local level there is some exception to that.

LITHUANIA:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 3.0

The existing myriad of NGO laws is often ambiguous and contradictory. An apparently transparent and inclusive process to amend the laws has begun, but should be expanded to review all NGO laws in order to simplify and coordinate the legislation. A significant constraint on NGO growth and sustainability is the limited availability of domestic resources. One of the major problems with the current regulatory environment is that most of the existing NGO laws do not allow NGOs to have any earned income, and the concept of voluntary labor is not recognized under Lithuanian law.

LEGAL ENVIRONMENT: 4.0

Progress: NGOs do not have major problems registering. Lithuania's current NGO laws recognize four types of NGOs: two membership based organization types, ("community organizations" and "associations"), and two property based organization types, ("charity and sponsorship funds" and "public institutions"). The existing laws are generally seen to be overly prescriptive, ambiguous and overlapping. Nevertheless, a process of review and amendment of these laws has begun, with the Prime Minister's establishment of a working group to amend the current Law on Charity and Sponsorship. Government and Parliament representatives are more aware of the legal needs of NGOs and open to the involvement of NGOs in developing regulatory reform proposals.

Local NGOs, with the support and assistance of the international donor community, have successfully engaged the Prime Minister, the Ministers of Finance and Labor/Social Security, and members of Parliament in a growing dialogue on a range of issues including NGO status and tax legislation. This dialogue has contributed significantly to the rejection of an initial draft, generally perceived to be counter-productive, and has opened the continuing amendment process to greater transparency and participation by NGOs.

A number of local lawyers are trained and familiar with NGO law, and provide legal advice in the capital and secondary cities. NGOs have the capacity to bid, and have been awarded contracts for the delivery of services by local governments.

NGOs are exempt from taxes on charity and other support they receive. Legal persons giving charity or support are entitled to concessions of up to 20% of any type of enterprise profit allocated to charity or support, and an equal amount can be deducted from the calculated taxable profit. A natural person can receive an income tax concession of up to 100%.

Constraints: Registration of NGOs remains complex and time consuming, and is implemented in a way that confers broad discretion on registering officials who often make arbitrary and inconsistent

judgments. Most types of NGOs are prohibited by the status laws from engaging in any kind of economic activity, and severe restrictions and limitations exist on the use of volunteer labor. The Law on Charity and Sponsorship, which ostensibly promotes grant-giving, is viewed by NGOs as having actually complicated it further, and problems with this law are cited as a major concern. According to the existing regulations, each program prepared by an NGO must be approved by the Government. With some minor deductions, NGOs have to pay all taxes in Lithuania. In some instances, legal regulations with regard to tax liabilities do not clearly distinguish between NGOs and for-profit organizations.

ORGANIZATIONAL CAPACITY: 3.0

Progress: Most prominent and active NGOs acknowledge their organizational and management needs and receive training on organizational sustainability. NGOs acknowledge that professionally functioning organizations are likely to achieve better results. Individual NGOs in individual sectors have all the elements constituting a sound NGO: a board of directors, volunteers and paid staff. Many NGOs have had training in strategic planning and have developed a clearly defined, issue-driven mission. The level of professionalism and experience of people involved in NGO activities is noticeably increasing. The number of volunteers has increased too. Many volunteers have a university degree.

More NGOs realize the necessity for preparing strategic and fund-raising plans. Under the DemNet program, a core of model NGOs is being developed in the country. These NGOs receive intense training on all aspects of organizational management. The training, provided by local trainers, will contribute to the development of a local NGO training capacity.

A significant number of NGOs have basic modern office equipment at their disposal, such as computers, fax machines, Internet access; or have access to these facilities through regional NGO support centers.

Constraints: Many small NGOs still do not realize that business-like management of an organization is the key to success and are exclusively service-oriented. Boards of directors and volunteer programs are not well-established. NGOs do not have a clear structure and do not apply strategic planning methodology.

FINANCIAL VIABILITY: 3.0

Progress: Many NGOs have diversified funding sources which include foreign donors, local and national government funds, and private sources. Local governments are more aware of financial needs of local NGOs and are increasingly willing to provide support. NGOs recognize sound financial management to be one of the most essential characteristics of a successful NGO. Many NGOs have professional financial management staff, conduct audits, and have used available training opportunities to enhance their financial reporting systems.

Constraints: Financial resources are usually small. Most funding still comes from foreign donors. The prohibition to engage in commercial activities is still a major constraint to revenue-raising and cost-recovery, and Lithuanian law does not recognize the concept of voluntary labor. Voluntary labor can subject NGOs to tax and social security payments, based upon the fair market value of the voluntary labor provided. These restrictions severely limit the ability of NGOs to develop volunteer/membership bases, and supplement their income.

Undeveloped philanthropy in the country deprives NGOs of significant potential local corporate and individual financing. Few NGOs engage in active fund-raising management. Government support does not embrace all aspects of NGO activities. NGOs are poorly informed about availability of Government funds.

ADVOCACY: 2.0

Progress: Public policy advocacy has become a working concept for many NGOs. The dialogue between NGOs and governing institutions has become more open and constructive. Seminars and conferences involving the NGO community and government officials are more frequent. A core of 10 model NGOs received intense training on public advocacy under the USAID DemNet (USBF) program. Some public policy advocacy activities on the local level have also emerged. A coalition on social issues between NGOs of the Kaunas region and its local authorities has been formed. In other regions, NGO representatives are involved in the work of municipal commissions on various issues. NGOs have started collectively addressing governing bodies with suggestions and recommendations. The relatively stronger and well-known NGOs have been requested by the Government and Parliament to provide their recommendations on law amendments and regulations.

Constraints: Not all governing institutions recognize that NGOs possess considerable expertise in certain areas, and do not acknowledge them as being active partners in the decision-making process. Few NGOs are involved in consultations and participate in legislative amendments. The system of drafting and amending laws and regulations is not well known to all NGOs. The mechanism of soliciting and incorporating inputs from NGOs by the Government is not smooth or effective.

PUBLIC IMAGE: 3.0

Progress: Media coverage of NGO activities has increased. A growing number of local governments view NGOs as their partners and effective service providers. The suspicion of NGOs on the national level has been substituted with a dialogue. Many NGOs are active in publicizing their activities and promoting their image and services. NGOs organize highly visible public events, such as NGO forums, fairs, and international conferences. NGOs receive training in public and media relations.

Constraints: There is still a limited understanding by NGOs of the necessity to develop their public image. NGOs tend not to publicize their successes effectively. Open cooperation between

government institutions and NGOs is constrained, due to perceived conflicts-of-interest. There is still a need for NGO transparency and self-regulation.

MACEDONIA:
Development of the Not-for-Profit Sector
1998

OVERALL RANKING: 4.4

The NGO sector in Macedonia is generally described as including about 5,000 NGOs, with active NGOs numbering perhaps 250-500. These figures incorporate a wide range of organizations, including a large number of clubs, which are often purely social in nature, and interest groups, such as the pensioners association, with narrow focus. Many of these have their roots in the earlier socialist period. The sector also includes more civic-oriented entities such as environmental, women's, humanitarian and youth groups. The vast majority of these organizations are grass roots in nature, coming together to deal with problems in their respective communities. Typically, several similar organizations can be found in a single community, reflecting the ethnic and religious divisions found in Macedonian society. The vast majority of these NGOs are institutionally weak and few have professional management, relying on volunteers to carry out the duties of the NGO. Training is therefore a continuing and inefficient process.

Most NGOs survive on grants provided by international donors, although some obtain limited resources in their communities by carrying out local services, charitable work and bake sales, etc. Given the authoritarian history of the country, fear still exists within the NGO sector about local and national government reaction to its activities, although no instance of direct harassment has taken place in several years. Cultural pressure does threaten the sector however, especially in communities with women's organizations that are active in community issues, often seen as an inappropriate role for women. Both of these perceived and real constraints will take time and effort to overcome.

LEGAL ENVIRONMENT: 3.0

Status: Until this year, the NGO sector was governed by the 1990 Law for Social Organizations and Associations of Citizens which contained a number of gaps, ambiguities and restrictive provisions. With assistance from USAID grantee, the International Center for Not-for-Profit Law, a new Law on Associations and Foundations was enacted by the Parliament in June 1998. While this law is not perfect, it does reflect a number of international best practices, including: provision of a legal framework for foundations, expansion of right of foreigners to establish NGOs, establishment of appropriate rules for internal governance of NGOs, and limits the ability of the government to dissolve an NGO.

The process itself reflected a best practice effort -- the draft law was distributed widely within Macedonia, and open round table meetings were held where governmental officials, NGO representatives, and other interested people were invited to comment on the draft law. As a result, changes to the initial draft were made. This open, participatory approach to law development has been touted by the GOM as a model for the handling new laws. Plans are underway to design and hold workshops for the NGO community to explain the new NGO law.

While tax laws affecting the NGO sector have not yet been drafted, assistance has been requested from the U.S. Treasury by the Finance Ministry, and from the ICNL by the law faculty of the Skopje Law School, which will be involved in the drafting and review of the tax law. Efforts to integrate NGO law into the curricula of the Skopje Law School are underway, aimed at preparing lawyers to service the legal needs of the NGO sector. Discussions are also underway regarding the inclusion of material on the role of NGOs in society into the curricula of the Political Science Department of the University at Skopje.

Constraints: With the passage of the new NGO law, the smooth implementation of the law will be the next challenge. This effort will require continued support to ensure that the new NGO law is properly implemented and understood by the NGO community. In addition, attention must now turn to the passage of tax legislation favorable to the NGO sector, including, the granting of tax free status to registered NGOs and providing tax incentives to the individuals and the private sector for making donations to NGOs. Without the passage of this legislation, the sustainability of the NGO sector may be in doubt.

ORGANIZATIONAL CAPACITY: 4.0

Status: Among local, grass roots NGOs, there continues to be a need for basic support to strengthen their institutional capabilities. Indigenous intermediary NGOs are providing only a fraction of the overall need. The Macedonia Center for International Cooperation (MCIC) is one of the few indigenous intermediary NGOs serving the local NGO community. It channels grants to local NGOs, provides training and other support aimed at improving the capacity of local NGOs. It also houses a small service center, located in its Skopje office, to attend to the basic informational needs of its NGOs. ODI, a past National Democratic Institute-supported NGO located in Gostivar, is providing services to the local NGO community by offering office space and other services to up to five NGOs as well as computer training on a fee basis. The local branch of the Regional Environmental Center, located in Skopje, also offers some support services to the environmental community. Few other intermediary NGOs of note exist, leading to the conclusion that the existing core of local practitioners and trainers available to the NGO sector is limited. As noted above, few local NGOs have professional management, most work on a volunteer basis. As a result, weaknesses were observed in their strategic planning, fundraising and advocacy skills. NGOs typically go from one small project to another without a long term vision or direction.

FINANCIAL VIABILITY: 5.0

Status: Given the incipient nature of the NGO movement in Macedonia, it appears that it will take many years before the stronger NGOs can become self sustainable. Over the next 5-7 years, outside donor assistance will continue to be required. The reasons for this conclusion are several. The Macedonian economy is in poor condition, with GNP per capita estimated by the World Bank at \$850 and an unemployment rate estimated at between 30 and 35%. These conditions do not support philanthropy among Macedonian businesses and individuals. Some giving is taking place, but it appears to be sporadic and provides for only a small portion of the actual needs of some NGOs. While the environment for fundraising is poor, a few NGOs are successfully seeking funds from their local communities, other donors and fee-for-service and membership dues. The poor economy limits the ability of both municipal and central governments, if they should chose, to channel funding to the NGO sector to enable it to deliver social services that governments traditionally deliver but, because of incapacity, they cannot provide. A bright spot in this otherwise bleak picture is the high level of volunteerism evident in the NGO sector. Nearly all management and operational work of local, grass roots NGOs is done by volunteers from the respective communities.

ADVOCACY: 5.0

Status: Because of the incipient nature of development and low level of confidence in much of the NGO sector, advocacy is not a principal area of activity by most NGOs in Macedonia. However, there are instances of advocacy at both the local and national level by indigenous NGOs. Environmental NGOs have had some success at the policy level. Based on a proposal presented to the central government on the protection of a region on Prespa Lake, the central government requested that the organization assume responsibility for the undertaking. Another NGO has been asked to draft the law on the protection of lime stone caves in the country. Others are working on the National Environmental Action Plan (NEAP) and the Local Environmental Action Plans which should lead to public policy changes as well. MCIC has been instrumental in putting the views of the NGO sector before government and the public. It has worked with government and Skopje law faculty on the new NGO registration law, facilitating roundtables to discuss the draft law, helping to forge a consensus on the final version. An NGO in Tetovo, focused on youth and inter-ethnic tolerance, has been successful in advocating the need for a community based program to improve inter-ethnic tolerance and gaining the support of the local education and municipal officials and the private sector. Cooperation among NGOs, however, appears to be limited, constrained by ethnic issues and the lack of a sense of community within the sector. While the NGO sector does receive coverage in the media (both in the press and on TV), it does not appear to be using the media to advocate on issues, reflecting the sector's limited role in advocacy in general. As noted above, there is no evidence of overt official against NGOs although there is social pressure brought to bare on some NGOs.

PUBLIC IMAGE: 5.0

Status: Overall sector identity is weak, which is an obstacle to the promotion of a positive image for NGOs in general. There are few intermediary NGOs or intermediate support organizations (ISOs), which advance the image of the sector and interface with the public or government. This has resulted in a low level of public awareness regarding NGOs' work. At the local level, an increasing number of NGOs has developed. This growth may create an enhanced public image for NGOs, particularly those which are able to deliver the necessary basic services that government is unable to provide. NGOs report few barriers to access to media coverage, although the media is also divided along ethnic lines. This creates obstacles in placing stories about the work, for example, of Albanian NGOs in a Macedonian newspaper and vice versa. Television is the most powerful medium, with Tvs reported to be in 85% of all homes. There is little anecdotal evidence to suggest NGOs receive coverage at this level.

There appears to be a willingness of government officials to engage the NGO sector, but not necessarily to provide it with resources. Benign indifference may be the most apt characterization. There are reports that government does not work closely with NGOs because it fears that they are thinly-veiled political parties at worst, and sources of opposition at best. In spite of any lingering tensions, there have been cases where government sought the expertise of specific NGOs in the environment sector. Mutual self-interest provided common ground for collaboration. On the whole, government at the local level lacks authority or capacity for outreach and constituent links, and as a result, NGOs' work may be undervalued.

Ed: This overview was drafted based on an assessment of the NGO sector that was conducted by USAID in the spring of 1998.

POLAND:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 2.0

Since 1989, the Third Sector in Poland has enjoyed a renaissance with the registration of over 20,000 new independent organizations. NGOs are becoming professionalized, as evidenced by the establishment of a network of NGO support organizations with standardized services and attention to performance quality; their acquisition of organizational development and management skills; existence of a cadre of skilled and knowledgeable indigenous trainers; increased efforts to develop indigenous funding sources through business and local government support; and greater role in social and economic policy formulation and development.

Additional assistance is needed in developing local sources of funding for NGOs, especially promoting business involvement in the process. More work is required in the areas of inter- and intra-organizational cooperation such as coalition building, legal and administrative capacity to establish endowed foundations and community foundations, and lobbying. There is also need to further develop cooperation with local government to establish a country-wide, consistent and transparent mechanism for local government funding of NGO activities and to devolve responsibility for service delivery from local government to NGOs through contracting.

LEGAL ENVIRONMENT: 2.0

Progress: Registering associations is relatively easy. There is no unfair regulation of the registration process by central government. Objections or complaints brought by central or local governments concerning NGOs must be settled by the judicial system, which is independent of the executive and legislative branches of government. Donations by individuals and businesses are tax exempt up to 10% of income.

Constraints: Registering foundations takes a lot of time, largely due to the fact that the process is centralized, with one court handling registrations for the whole country. It is hoped that the current public administration reform will result in decentralization of registration decisions. For the last three years, the court has been reluctant to register foundations if their statutes contain clauses enabling them to conduct business activities, thereby closing a source of revenue for NGOs. NGOs are required to submit annual reports and financial statements to the Ministry most closely related to the organization's area of activity, resulting in a great degree of discrepancy in assessment and evaluation. Consistent and transparent requirements for reporting format and level of control are needed for the Third Sector as a whole. Polish law does not contain necessary provisions that regulate voluntary work. This creates some administrative problems for NGOs in using volunteer labor. A new law on "public benefit" activities is being considered and is a subject of public debate within the NGO sector.

ORGANIZATIONAL CAPACITY: 2.0

Progress: Increased knowledge of and cooperation among NGOs has been facilitated by several organizations: a regularly updated national information bank on NGOs (KLON/JAWOR), NGO-support centers provide training and technical assistance, and a professional association of trainers has been formed to represent members' interest and improve the quality of services. Skill acquisition has increased tremendously since 1992, thanks to U.S. and European public and private aid promoting the development of indigenous training and NGO support organizations.

Constraints: Resources that support training are directed to training institutions and not to NGOs, hampering the development of a consumer market for training. Assistance programs and sponsors are also contributing to the problem. While it is unrealistic to expect that all training for NGOs can be regulated by the market, it is also necessary to develop strategies for increased competition, quality control and customer orientation among service providers. There is an overall lack of

awareness about the important role played by NGO support organizations in developing civil society. Indigenous resources are most often directed to NGOs meeting basic human needs. Organizations are only beginning to cooperate or form coalitions, especially as regards lobbying. The NGO-support organizations are not yet sustainable.

FINANCIAL VIABILITY: 2.0

Progress: Procurement of services from NGOs by national and local governments is increasing. Models of consistent and transparent funding of NGOs by local government have been developed and are being replicated. Awareness of the need for diversity of funding sources is growing in the Third Sector. During the last year, several initiatives took place to develop local sources of funding for NGOs: a competition for "Benefactor of the Year" was announced for the first time to promote philanthropy; a study was initiated for the feasibility of establishing community foundations in selected cities; new fund-raising methodologies (such as payroll deductions) have been successfully introduced; and a pilot program of contracting services to NGOs by local government has been initiated in selected municipalities. Poland has good training and consultation services available in fund raising.

Constraints: There are few indigenous endowed foundations, and it is very difficult to find sponsors willing to establish endowments. Other efforts to establish local sources of funding for NGOs, such as community foundations or the Polish branch of the United Way operation, are only starting. There is a danger that before reliable and consistent local sources are developed, foreign institutions will cease supporting the Polish Third Sector, thereby depriving NGOs of a significant source of support. Further effort is needed to promote business involvement in supporting NGOs. Additional work is needed to develop a consistent, country-wide mechanism for local government funding of NGOs and to devolve responsibilities for service delivery from the local government to NGOs through contracting.

ADVOCACY: 2.0

Progress: There has been an increase in the number of public advocacy activities initiated by NGOs, as evidenced by coalitions and umbrella groups working on children's rights, rights of disabled persons, reproductive rights, human rights, environmental protection, cooperation between NGOs and other sectors (government and private), and the legal framework for NGO activities. Successful advocacy campaigns were conducted by numerous NGOs, representing most areas (sectors) of NGO activity. DemNet grantees have successfully influenced national and local government legislation and regulations, including one article in the new Constitution, three amendments to national legislation, and 59 local government ordinances. During the last parliamentary elections, a questionnaire was distributed to all election headquarters to determine their position on the Third Sector. The Association for the Forum of Non-Governmental Initiatives, a former DemNet grantee, continues to provide the Parliament with information on the Third Sector and with input concerning the proposed law on public benefit activities. Discussions on self-regulatory measures have been initiated by the NGO sector and a code of ethics has been drafted covering such issues as transparency, commitment to stated mission and public benefit, separation of executive and supervisory/advisory functions, and willingness to cooperate with other NGOs.

Constraints: The practice of lobbying is in its beginning stage with both NGOs and elected representatives, therefore the role, ethics and techniques of this skill are not fully developed. More work is needed to improve responsiveness to constituents in identifying issues of importance, to strengthen coalition-building skills and effectiveness in influencing decision-makers.

PUBLIC IMAGE: 2.0

Progress: During the last two years, NGOs have begun to work more effectively with the media, as evidenced by an increase in positive local and national newspaper articles, radio interviews and television programs. This includes a national educational television series that featured NGOs, and local newspaper coverage of DemNet and other donor/grantee activities. The assistance provided by NGOs to victims of the 1997 flood was widely recognized by the media and contributed significantly to the improved image. The Association for the Forum of Non-Governmental Initiatives continues to develop a code of ethics with the Third Sector. Volunteer centers are expanding to additional locations and are becoming independent organizations that promote volunteerism among individuals and prepare NGOs to include volunteers into their organizations.

Constraints: The public image of NGOs is still affected by the widely publicized results of the 1993 audit of foundations (established by the central government) that found a number of irregularities. There is still an insufficient understanding among the populace as a whole of the role of the non-profit sector in a democracy. The third sector tends to be perceived narrowly as involving charitable activities -- less frequently as conducting lobbying or representing particular interests.

ROMANIA:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 3.8

The development of associational life in Romania registered an increase in the number of NGOs, while the number of active organizations remains rather small. Of 18,500 registered NGOs (as of November 1997), only 25% are active. Most of these organizations remain small, lacking the basic organizational structure and financing. There are, however, a number of NGOs with established boards of directors, permanent staff and defined implementation programs. More significantly, during the past year, a growing number of Romanian NGOs have successfully demonstrated their capacity to be effective service deliverers, to identify and advocate citizens' interests in the public arena, and to influence decision makers and public opinion.

While basic cultural constraints will continue to inhibit full citizen participation in democratic practices for years to come, opportunities exist for NGOs to instill democratic practices at the grassroots level to empower heretofore disenfranchised segments of the population. This is being accomplished through community based activities and through focused advocacy approaches.

LEGAL ENVIRONMENT: 3.5

The existing legal framework, based on the Law 21 of 1924, provides for the relatively quick and easy registration and operation of foundations and associations. Nevertheless, the NGO community is actively pursuing the adoption of a new legal and regulatory framework that incorporates accepted international precepts and practices for the operation of NGOs. To this end, a national coalition of NGOs has successfully advocated for the enactment of the "Sponsorship Law", a landmark legislation designed to provide tax deductions for individual and corporate contributions to NGOs. This law also provides for favorable treatment by print and broadcast media for programs or announcements by NGOs. A comprehensive draft legislation is being discussed with the GOR, with the goal of having it introduced in Parliament during the first quarter of CY 99.

ORGANIZATIONAL CAPACITY: 3.5

While there is a small group of NGOs with formal boards of directors, professional and clerical staff, and well defined mission statements, the majority of NGOs lack organizational and financial structures. Only 1 out of every 20 NGOs has paid staff. On average, this represents 1 or 2 full time employees. Most NGOs operate with staff hired for a limited period of time, or with volunteers. The number of jobs in the not-for-profit sector represents 0.28% of the number of the non-agricultural work force. However, there is a growing number of NGOs that are adopting basic core practices, and are developing clear mission statements. This emphasis on formalizing institutional arrangements is being fueled in part by the decline of foreign funding available and the increased competition among NGOs.

Institutional development has become the priority for Romanian organizations. Proposal writing, fundraising, accounting and financial management are the three areas of assistance constantly sought by emerging organizations. Training and technical assistance in these areas is being provided by World Learning and several local organizations, including Civil Society Development Foundation (FDSC) and Foundation for Local Development and Public Services (FDLSP).

FINANCIAL VIABILITY: 4.5

Foreign donor funding remains a necessity for the sector. Approximately 56% of the NGO's revenues come from foreign sources. The lack of incentives for corporate and individual contributions, and a lack of philanthropic tradition have limited the sources of funding from the private sector. About 7% of NGO revenues come from corporate sources and 6% from personal contributions. Although the Sponsorship Law provides incentives for private contributions, the condition of the economy presents a significant challenge for NGOs to increase revenues from private sources. To this effect, considerable efforts are being put into developing the fundraising and financial management capacities of the emerging NGO community. World Learning and FDSC are the leading entities providing training and technical assistance in these areas.

ADVOCACY: 3.5

The role of NGOs in developing and promoting a policy agenda has been limited until recently. The elections of 1996 and the political and structural reforms have opened significant opportunities for NGOs to play a greater role as intermediaries between state and society. At the national level, NGOs are being called on to help develop public policy reform. At the local level, ministries and local governments are being asked to forge partnerships with grassroots groups and local NGOs to address community problems. Broadening the scope of participation by NGOs is an innovative measure that complements other significant elements of GOR's political and economic agenda. NGOs have the opportunity to increase their influence over public policy through such partnerships. Both the quality of local government and the capacities of NGOs can be enhanced through this

synergy. Cognizant of these opportunities, NGOs are availing themselves of the technical assistance and training available to enhance their capacities.

PUBLIC IMAGE: 4.0

The public image of NGOs continues to be of concern to advocates for the sector. While it may be said that the citizen's perception of NGOs is neutral (i.e., most ordinary Romanians are oblivious to the existence of civil society), that neutral position is often discolored by a negative image carried in the press.

Following the 1996 elections, NGOs became more visible in the media, the public perception being more positive. During 1997, 3500 articles about NGOs were published in newspapers. However, since September 1997, the number of articles with a negative connotation increased, tarnishing the emerging popular image of NGOs. This is due in part to the questionable “non-governmental organizations” created for the sole purpose of importing vehicles, equipment and commodities free of tax.

Active and effective marketing of NGOs that highlights their activities is vital for the sector. Organizations are improving their capacity to deal with the media and to develop awareness and media campaigns for their organizations and programs. Technical assistance and training is readily available at the local level to assist the NGOs.

RUSSIA:
Development of the Not-for-Profit Sector
1998

OVERALL RANKING: 3.4

In the midst of economic and political uncertainty, Russia's NGO sector continues to grow and develop at a brisk pace. Russian NGOs continue to press for the rights and concerns of their constituents at all levels of government, while becoming more sophisticated in organizational management, fundraising, and networking. During 1997, NGO sector activists reported a marked improvement in their relations with government. These activists have in many cases taken over leadership of their organizations and have become innovators in NGO sector development. Regional discrepancies in NGO sector development have become more pronounced as Russia's NGO sector matures. NGO resource centers and sector support organizations, led by Russian professionals, have taken a leadership role in NGO sector development.

The most pronounced negative factors are Russia's poor economic performance, coupled with present and proposed tax structures. These factors offer bleak prospects for NGO sector financial viability, and represent the most serious constraint on medium-term NGO sector growth in areas where other resources are present.

LEGAL ENVIRONMENT: 3.0

Progress: Russian legislation, enacted at the Federal level, provides a legal basis for NGOs to operate, but much work remains to be done at the regional and local levels. The key Federal laws that are in place include: the Civil Code (1994), the law "On Public Associations" (1995), the law "On Charitable Organizations and Charitable Activity" (1995), and the law "On Non-Profit Organizations" (1995). At present, pro-NGO legislation is being advanced on the regional and local levels by NGO sector activists. Recently, in Kemerovo, for example, city and oblast officials received extensive information on transparent procedures for social contracting from the Siberian Center for the Support of Social Initiative's (SCSSI) local representative. The officials subsequently relied upon the representative's expertise to mount the region's first competitive procurement for social services. This initiative is one of at least twenty in the regions and in Moscow.

Constraints: Despite passage of a Federal legislative framework, most regional authorities are reluctant to implement Federal laws without regional or local laws, or mechanisms in place. There is a shortage of attorneys qualified to draft legislation in the regions. The majority of attorneys who are skilled in drafting not-for-profit law reside in the major cities. Legal consultations or advice are much in demand among NGOs, due in part to the expense involved in seeking private legal assistance.

Legislation promoting significant usable tax incentives will likely not be a part of the new tax code. This defeat may represent the single most serious long-term setback in the legal environment for NGOs. NGO sector activists, together with the Association of Russian Banks, have lobbied heavily for a package of amendments to the new tax code that would increase tax deductions for charitable contributions to a level of 10 percent of profit (rather than the current 3 to 5 percent level). It is uncertain whether they will prevail, however, partly due to intense international and domestic pressure on the Russian federal government to raise critically-needed revenues. Future prospects for NGO sector growth may be seriously hampered by a lack of experience with not-for-profit tax regulations on the part of both the tax authorities and NGO sector activists.

In practice, cases of double taxation and inappropriate taxation (especially taxation on grant funds), continue to abound. Taxes are often collected on cost recovery measures or fee-for-service arrangements, without distinguishing between nonprofit and profit-making enterprises. At present, many NGO sector activists are paying these taxes and are not seeking significant tax exemptions in order to discourage commercial enterprises from registering as NGOs (a common practice throughout Russia) and to avoid leaving the decision on which organizations qualify for exemptions in the hands of local, often unqualified, tax inspectors.

ORGANIZATIONAL CAPACITY: 3.0

Although the growing capacity of local expertise to provide training in a range of organizational topics is the dominant element in this rating, regional discrepancies in access to this training, and in NGO development as a whole, create inconsistencies. Many NGOs still suffer from a lack of appropriate internal democratic governance principles, often because they are “one-person NGOs.”

Progress: Investments by USAID and other donors in training and technical assistance in organizational management are beginning to produce significant results in Russia’s NGO sector, although there is still far to go. For example, the Krasnodar branch of Chernobyl Union, a national organization that provides support to victims of the disaster and those who assisted with the subsequent evacuation and clean-up, recently completed a successful campaign to educate its members on their rights. With training in organizational management and a subgrant from the CIP Southern Russia Resource Center (SRRC), Krasnodar Chernobyl Union is now equipped and organized to inform its members of the rights and benefits due them and has become significantly more effective in advocating local government on their behalf.

Constraints: Much growth is still needed in the areas of conflict resolution, strategic and financial planning, membership outreach, volunteer management, and formation of boards of directors. While some organizations are advanced in these areas, most are just beginning. Basic and more advanced training are still critically needed by NGOs throughout Russia.

Although several indigenous consulting agencies can offer specialized training in one or more areas of organizational management, such as strategic planning, USAID does not know of any Russian consultants who can support training in establishing and working with a board of directors. Over 120 “trained trainers” are currently listed in *A Handbook for Training Consultants from Non-Commercial Organizations in Russia*. Trainers at a June 1997 USAID-sponsored conference concluded, however, that they are not yet prepared to organize as a formal network or association.

It is uncertain whether indigenous resources can support these trainers as foreign funding diminishes.

FINANCIAL VIABILITY: 4.0

Progress: Past studies of Russia’s NGO sector have criticized its overdependence on foreign grants. While this remains an issue of concern, activists are turning to government and business with increasing success for support for their work, as well as relying on volunteers. Although a recent internal evaluation of a sub-grant program found that “NGOs rely almost entirely on foreign grant funding,” it also noted that the NGOs surveyed cited the work of volunteers as their second most important resource. Other NGO sector experts assert that Russian regional and local government agencies are currently the most likely sources of financial support for most NGOs, and far exceed foreign donors in the number of NGOs they assist, although not in total spending.

Russian NGOs are slowly overcoming their aversion to private sector solicitation. A culture of indigenous philanthropy is slowly being revived in Russia, but very few NGOs have had success in raising money from private individuals. Classical “fundraising” from commercial organizations (in the specific sense of asking for contributions) is becoming more widely practiced in Russia’s NGO sector, but NGO activists are more successful at fundraising for specific events than for ongoing institutional support. Basic fundraising training is increasingly available, but most NGO sector activists still lack the sophistication to make credible, well-targeted solicitations.

Constraints: In a significant shift from June 1996, when limitations in the organizational capacity of NGOs were identified as the most serious constraints on NGO growth, financial constraints now represent the single greatest impediment to the long-term growth of Russia’s NGO sector. Russia’s poor economic performance, coupled with present impediments to making charitable contributions, make financial sustainability for NGOs unlikely in the near term.

Although the federal law on social contracting remains stalled in the Duma, at least twenty cities have legal mechanisms in place (decrees, executive orders, etc.) that allow them to pay NGOs for contract services. These mechanisms are in use, but are limited by the availability of government

funds and the initiative of local officials. Unfortunately, the process of awarding these contracts is competitive and transparent only for a portion of contracts let in a handful of cities. In others, contracts are awarded by regional and local officials to NGOs on a first-come, first-served or arbitrary basis, often based on personal acquaintance. Some Russian and American experts doubt whether NGOs will be able to count on the Federal or local government to fulfill their financial obligations and follow through on paying for these contracted services. Others fear NGOs will lose their independence (and their ability to advocate effectively) by becoming dependent on government for donations of office space and contract or grant funding.

ADVOCACY: 3.0

Progress: Although suspicion continues to exist on both sides, in 1997 local government officials and activists made great strides in exploring ways to collaborate with each other. Much depends on the personalities of both the NGO activists and the government officials involved. In some regions, such as in Chita and Arkhangelsk, officials eagerly solicit help from activists in collaborating on programming and on drafting legislation. In other areas, government officials (or even the activists themselves) envision the role of NGOs as temporary providers of social services until the state can stand on its feet again.

While there are a few Russian “think tanks” on the Western model that advocate public policy recommendations at the very highest levels of the Federal government and legislature, policy formulation by Russian NGOs is most likely to be born of practical experience. Very few Russian organizations deal exclusively with policy issues. In Russia, advocacy is most likely to take the form of a “partnership” between government bodies and NGOs. The overwhelming majority of NGOs influence local government agencies by working with them to solve practical problems. Advocacy is perceived by most Russian NGO activists as part of the process of working to improve the lives of their constituents, rather than as a separate function performed by specialized organizations.

In 1997, both Russian and American NGO sector experts noted significant improvements in Russian NGOs' ability to work together and to form coalitions. As individual NGOs become stronger, they have become increasingly willing to enter coalitions. Although activists are often critical of one another, organizations do pool resources and work together when there is a perceived need or a pressing issue. One Russian expert remarked, "When someone has a good idea, people unite." Coalitions or networks of NGOs form both as local or regional NGO councils, with broad-based membership, and among NGOs working on specific issues across the Russian Federation. Russia-wide associations or networks of organizations already exist and are advocating effectively at all levels of government on behalf of their constituents in the areas of human rights; the environment; gender issues; housing and community development; consumer rights; health; disability; mothers, children, and family issues; and business development. For example, the Committee of Soldiers' Mothers has over 100 chapters across the Russian Federation. Issue-oriented NGOs form nationwide networks to advocate on specific policy issues and share information of all kinds, including information on the activities and successes of other organizations engaged in similar activities.

Constraints: The issue of relations with local government continues to be among the most complex facing NGOs. As NGOs establish themselves in a positive and cooperative role as public advocates and providers of services, a number of moral, economic, and political issues come into play. Some activists are unwilling to ally their organizations with government officials who are perceived as corrupt. On the other hand, NGOs are often dependent on local government officials for office space and operating funds. In all cases, activists understand that local authorities can seriously hinder their work, should a confrontation arise. In areas where satisfactory relations between NGOs and government exist, local government officials may be quick to understand the benefit of working with NGOs at election time, but local activists see little value in linking their organizations' identities to the fate of political parties, preferring to remain neutral during elections and advocate for their constituents with officials after elections take place.

PUBLIC IMAGE: 4.0

Progress: In 1997 the perception of NGOs' effectiveness as providers of services and as advocates for their constituents has improved considerably among government officials in the areas in which foreign donors are active. According to Russian NGO sector experts from the regions, Moscow's widely-publicized social contracts competition, Yeltsin administration initiatives encouraging regional officials to work with NGOs, and much hard work by NGO activists themselves, have had significant impact. Recently NGOs (and especially NGO resource centers) have begun to work actively with local media representatives to increase coverage of the active, positive role that NGOs are playing in their communities. At the regional/local level, NGOs join together to advocate on behalf of the NGO sector as a whole; to share resources, information, and experience; and to undertake common activities. NGO fairs, which promote the public image of NGOs among business, government, and the general population, are an example of such an activity. In June 1997, the CIP-funded Siberian Civic Initiatives Support Center held its second annual fair, for which it

has garnered substantial government and some private-sector support.

Constraints: Much work remains to be done, as many organizations still lack basic public relations skills. Cultivating good relations with local media representatives may take more time and attention than small organizations are able to devote to this crucial work. The public at large continues to have a poor understanding of the role and positive achievements of NGOs in society. Popular opinion often associates NGOs with illegal businesses or tax evasion. This negative image is largely due to a series of widely-publicized scandals such those that involved national sports clubs that used tax privileges to make enormous profits on the sale of imported and sold liquor and tobacco products.